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The prospective payment system for inpatient psychiatric facility care: Overview

ISSUE: In January 2005, CMS changed the method of payment for inpatient psychiatric facilities (IPFs) from a cost-based system to a prospective payment system (PPS). Under the IPF PPS, Medicare pays for the per diem routine, ancillary, and capital costs associated with furnishing covered inpatient psychiatric services.

KEY POINTS: The change to a PPS creates new financial incentives for providers and may therefore affect patterns of care. Monitoring changes in use of services and ensuring the adequacy of payments to IPFs will be crucial to maintaining access to and quality of care for mentally ill beneficiaries, who are one of the most vulnerable populations in Medicare.

At this meeting, staff will present background information about IPF care, including Medicare's coverage and payment policies. Early utilization trends under the new PPS will be reviewed, and future work plans will be discussed.

ACTION: Staff seeks Commissioner input on additional work in this area.

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